

# STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH  
100 NORTH SENATE AVENUE N1058  
INDIANAPOLIS, IN 46204  
PHONE (317) 232-3761  
FAX (317) 232-8779

**TO: ALL TOWNSHIP TRUSTEES**

**FROM: DEPARTMENT OF LOCAL GOVERNMENT FINANCE**

**SUBJECT: PROVISIONS FOR EMERGENCY BORROWING (IC 36-6-6-14)  
INCLUDING TOWNSHIP ASSISTANCE (IC 12-20-24) &  
BORROWING FOR FIREFIGHTING APPARATUS, EQUIPMENT  
AND HOUSING OF SAME (IC 36-8-13-6) AND PUBLIC WORKS  
PROJECT LOAN (IC 36-9-41)**

**DATE: JANUARY 2006**

For any townships needing to borrow money for emergencies under IC 36-6-6-14, for fire apparatus, equipment or housing of equipment under IC 36-8-13-6, and/or Township Assistance under IC 12-20-24, the following steps should be used. Since indebtedness of the township must be approved by the Department of Local Government Finance under IC 6-1.1-18.5-8(b), that process is also referenced.

## **STEP 1: NOTICE OF PUBLIC HEARING IS PUBLISHED**

Prior to the special meetings mentioned in Step 2, a Notice of Public Hearing (recommended form attached) should be published one (1) time, at least ten (10) days before the date of the hearing or meeting pursuant to IC 5-3-1-2(b). The notice should be published in two newspapers published in the township. If no newspapers are published in the township, then two newspapers published in the county may be used. If only one newspaper is published in the county, then publication in one newspaper is sufficient. The number of newspapers used has nothing to do with the number of times it must appear in the paper.

## **STEP 2: PUBLIC HEARING CONCERNING BORROWING IS HELD**

A special public meeting is held to determine whether or not to borrow money for an emergency (IC 36-6-6-14 or IC 12-20-24) or fire equipment and/or housing of fire equipment IC 36-8-13-6.

## **STEP 3: RESOLUTION TO BORROW IS ADOPTED/ PETITION FOR APPROVAL OF THE DEPARTMENT OF LOCAL GOVERNMENT FINANCE IS ADOPTED**

At the public hearing, if two (2) or more members give their consent, the legislative body may

determine whether there is an emergency or a need to borrow for fire fighting apparatus, equipment and/or housing of the same, requiring the expenditure of money not included in the township's budget estimates and levy. If the legislative body finds that such an emergency or need exists, it may issue a special order, entered and signed on the record, authorizing the executive to borrow a specified amount of money sufficient to meet the emergency or need. The legislative body will sign a resolution

#### **STEP 4: NOTICE OF DETERMINATION TO INCUR INDEBTEDNESS IS PUBLISHED**

Within thirty (30) days after a determination is made to incur indebtedness under IC 36-6-6-14, IC 12-20-24 or IC 36-8-13-6, a notice (recommended format attached) is published according to IC 5-3-1-2(h), one (1) time in two newspapers that are published in the township. If no newspapers are published in the township, then two newspapers published in the county may be used. If only one newspaper is published in the county, then publication in one newspaper is sufficient. The number of newspapers used has nothing to do with the number of times it must appear in the paper.

The Notice of Determination (recommended format attached) should state the amount and purpose of the loan. It should also state that ten (10) taxpayers disagreeing with the determination may file a petition in the County Auditor's office. If no objecting petition is filed, an Auditor's Certificate of No Objection (recommended form attached) must be obtained from the County Auditor. **Note: It is the responsibility of the township to obtain the certificate of no objection from the County Auditor.** If no objecting petition is filed, skip to STEP 8.

#### **STEP 5: TAXPAYERS MAY FILE AN OBJECTING PETITION**

Not more than 30 days after the Notice of Determination is published, ten (10) or more taxpayers who disagree with the determination to obtain a loan may file a petition with the County Auditor. The petition must state the taxpayer's objections and the reasons why the taxpayers believe the borrowing or special order to be unnecessary or unwise.

#### **STEP 6: COUNTY AUDITOR CERTIFIES OBJECTING PETITION TO THE DEPARTMENT OF LOCAL GOVERNMENT FINANCE**

The County Auditor shall immediately certify a copy of the objecting petition indicating which signatures are taxpayers of the taxing districts affected by the borrowing. The certification together with other data necessary to present the questions involved are sent to the Department of Local Government Finance.

#### **STEP 7: THE DEPARTMENT OF LOCAL GOVERNMENT FINANCE HOLDS OBJECTION HEARING IN THE COUNTY WHERE THE TOWNSHIP IS LOCATED**

Upon receipt of the certified objecting petition and other data, the Department of Local Government Finance shall fix a time and place for a hearing of the matter. The hearing shall be held not less than five (5) and not more than thirty (30) days after receipt of the certified documents.

The hearing shall be held in the county where the petition arose. The Department of Local Government Finance shall by mail give Notice of Hearing to the township and the first ten (10) taxpayer petitioners listed on the petition. This letter shall be sent to the taxpayers' usual place of residence at least five (5) days before the hearing.

#### **STEP 8: QUOTES SOLICITED FROM BANKS ON INTEREST RATES**

(This step may occur any time after STEP 2 but before STEP 9.)

Banks are contacted for quotes on interest rates, terms and amortization schedules. It is not required that the township use the bank(s) where other funds are deposited. In addition, banks outside the township or county may be used for these types of loans.

Interest rates above 8% require special approval from the Department of Local Government Finance (IC 6-1.1-20-7). Emergency loans (IC 36-6-6-14 and IC 12-20-24) are to be repaid in one year. Exceptions to one-year repayment are granted only under extreme circumstances. Fire loans by statute may not extend beyond six (6) years or fifteen (15) years if the assessed value of the township is below \$20,000,000.

#### **STEP 9: TOWNSHIP PETITION FOR APPROVAL OF INDEBTEDNESS IS SENT TO DEPARTMENT OF LOCAL GOVERNMENT FINANCE**

IC 6-1.1-18.5-8(b) requires that before a civil taxing unit may incur indebtedness, the unit must obtain approval from the Department of Local Government Finance. This approval insures that an exempt levy (debt service outside the maximum levy limitations) may be collected for loan payments. Even if the Cumulative Fire Fund (also outside the levy limitations when established by a township) is used for payments, IC 6-1.1-18.5-8(b) must be followed. The Cumulative Fire Fund is not an entitlement once established. It is annually subject to taxpayer objection rights and the annual budget process. Once the Department of Local Government Finance approves a loan, the Department of Local Government Finance must insure that tax levies are included in the township budget for loan payments. This protects the entity making the loan and protects the taxpayers' investment in items purchased. In order to obtain Department of Local Government Finance approval, the township must forward a petition (recommended format attached) and complete transcript of proceedings to:

DEPARTMENT OF LOCAL GOVERNMENT FINANCE  
ADMINISTRATIVE OFFICER  
LOCAL GOVERNMENT TAX CONTROL BOARD  
100 N. SENATE AVE., N1058  
INDIANAPOLIS IN 46204

The transcript must include the following:

- 1) One (1) copy of the petition to the DLGF for approval of indebtedness and request to be placed on the Local Government Tax Control Board (LGTCB) agenda.
- 2) Eight (8) copies of the completed hearing information sheet.
- 3) One (1) copy of the proofs of publication from the notices in Steps 1 and 4.
- 4) One (1) copy of the resolution of determination to incur indebtedness.

- 5) One (1) copy of the County Auditor's Certificate of No Remonstrance.
- 6) One (1) copy of the proposed debt amortization schedule.
- 7) One (1) copy of the Common Construction Wage meeting and wage scale, if applicable.
- 8) If Township Assistance loan, one (1) copy of the resolution by both the County Commissioners and County Council denying the loan.
- 9) Two (2) copies of the vehicle specifications, if applicable.

**STEP 10: DEPARTMENT OF LOCAL GOVERNMENT FINANCE FORWARDS PETITION FOR APPROVAL OF INDEBTEDNESS TO THE LGTCB. LGTCB HEARING INFORMATION SHEET IS RECEIVED BY THE TOWNSHIP, COMPLETED & RETURNED**

The Township's petition to the Department of Local Government Finance (DLGF) for debt approval may be referred to the Local Government Tax Control Board (LGTCB) for recommendation (IC 6-1.1-18.5-8(b)). The Administrative Officer of the Control Board will schedule the request for the next LGTCB meeting. These meetings are held on the 4th Thursday of each month. To be on a particular month's agenda, the petition must be received no later than one month in advance of the Control Board meeting. A hearing information sheet concerning the amount of loan requested, the need for the loan, and tax rate impact, along with all the other relevant documentation must be included along with the petition.

**STEP 11: TOWNSHIP ADVERTISES FOR AND OPENS BIDS FOR PROJECTS WHERE THE PURCHASE PRICE OR TOTAL PAYMENTS OF AN INSTALLMENT CONTRACT EXCEED \$75,000**

(This step may occur anytime after STEP 2 and before STEP 12).

If there are questions concerning the bid process, please contact the State Board of Accounts at 317-232-2520. IC 36-1-9.5 and IC 5-22-8 outlines bid requirements.

Notice of the request for bids is given according to IC 5-3-1 which requires two (2) insertions at least one week apart, with the second publication made at least seven (7) days before the date the bids will be received in two newspapers that are published in the township. If no newspapers are published in the township, then two newspapers published in the county may be used. If only one newspaper is published in the county, then publication in one newspaper is sufficient. The number of newspapers used has nothing to do with the number of times it must appear in the paper.

**Purchases between \$25,000 and \$75,000**

If the purchasing agent expects the purchase to be at least twenty-five thousand dollars (\$25,000) and not more than seventy-five thousand dollars (\$75,000), a purchasing agent may purchase supplies under IC 5-22-8-3 by inviting quotes from at least three (3) persons known to deal in the lines or classes of supplies to be purchased. The purchasing agent shall mail an invitation to quote at least seven (7) days before the time fixed for receiving quotes. If the purchasing agent receives a satisfactory quote, the purchasing agent shall award a contract to the lowest responsible and responsive offeror for each line of class of supplies required. The purchasing

agent may reject all quotes. If the purchasing agent does not receive a quote from a responsible and responsive offeror, the purchasing agent may purchase the supplies under IC 5-22-10-10.

### **Purchases below \$25,000**

If the purchasing agent expects the purchase to be less than twenty-five thousand dollars (\$25,000), a purchasing agent may make a purchase under small purchase policies established by the purchasing agency or under rules adopted by the governmental body (IC 5-22-8-2).

## **STEP 12: LOCAL GOVERNMENT TAX CONTROL BOARD HEARING**

A confirmation notice of the hearing day and time will be sent to the trustee. A representative of the township must appear at the hearing to answer any questions the board members may have.

The Control Board will make a recommendation to the Department of Local Government Finance to approve, disapprove, or modify the request. The Control Board is a recommending body only. The Department of Local Government Finance will make the final determination.

## **STEP 13: DEPARTMENT OF LOCAL GOVERNMENT FINANCE ISSUES LOAN ORDER**

An order approving, disapproving, or modifying the indebtedness request will be issued. The Department of Local Government Finance shall render a decision within three (3) months of the filing of the original request for approval. However, the Department of Local Government Finance may extend this three (3) month period by an additional three (3) months if, at least ten (10) days before the end of the original three (3) month period, the Department sends notice of the extension to the Township Trustee. Unless special permission has been requested and granted to exceed 8%, the order will be subject to an interest rate not exceeding 8%. Emergency loans must be repaid in one (1) year unless otherwise approved by the Department, and fire loans/installment contracts must be paid in no more than six (6) or fifteen (15) years, based upon the assessed value of the township.

## **STEP 14: PROCEEDS OF LOAN ARE APPROPRIATED**

When the township receives approval of the loan, it must appropriate the proceeds of the loan and other funds on hand for the purposes for which the loan was obtained. The trustee must follow the procedure set out in IC 6-1.1-18-5 for an additional appropriation.

## **STEP 15: TOWNSHIP AWARDS BIDS IF PROJECT IS SUBJECT TO IC 36-1-9.5 AND IC 5-22-8**

After receipt of the debt approval order and additional appropriation order approved from the Department of Local Government Finance, the township board may award bids for the purchase (if the loan is for a purchase requiring bidding) to the lowest responsible and responsive bidder.

## **STEP 16: TOWNSHIP BORROWS MONEY FROM FINANCIAL INSTITUTION**

Based on interest rate quotes solicited from banks in STEP 9, the loan or installment contract is executed.

## **STEP 17: TOWNSHIP LEVIES DEBT SERVICE FUND WITH NEXT ANNUAL BUDGET TO PAY INTEREST AND PRINCIPAL ON LOAN**

If a township wants to begin repayment in an ensuing year, the township must comply with the provisions of IC 6-1.1-17-3. In addition, on or before December 31, of the year in which the loan is approved, the unit must borrow the funds and file with the Department of Local Government Finance a final amortization schedule. This means that the township must include a debt service fund to pay principal and interest on the loan or installment contract payments in the ensuing budget year as part of the advertised Budget Form 3- Notice to Taxpayers. Failure to do so may result in denial of a debt service levy in the ensuing year.

### **Summary of Borrowing Procedures**

1. Notice of public hearing is published.
2. Public hearing concerning borrowing is held.
3. Resolution to borrow is adopted.
4. Notice of determination to incur indebtedness is published.
5. Taxpayers may file an objecting petition.
6. County Auditor certifies objection petition to the DLGF.
7. The DLGF holds objection hearing.
8. Quotes solicited from banks on interest rates.
9. Township petition for approval of indebtedness is sent to the DLGF.
10. DLGF forwards petition for approval of indebtedness to the LGTCB.
11. Township advertises for and opens bids for projects where the purchase price or total payments of an installment contract exceed \$75,000.
12. Local Government Tax Control Board hearing.
13. DLGF issues loan order.
14. Proceeds of loan are appropriated.
15. Township awards bids if project is subject to IC 36-1-9.5 and IC 5-22-8.
16. Township borrows money from financial institution.
17. Township advertises and adopts debt service fund appropriations, tax rate, and levy with next annual budget and must comply with the provisions of IC 6-1.1-17-3.

## **TOWNSHIP LOANS**

IC 36-8-13-5 allows township borrowing for fire fighting apparatus and equipment, including housing for a period of up to fifteen years if certain requirements are met.

IC 36-8-13-5 reads, "After a sufficient appropriation has been made and approved and is available for the purchase of firefighting apparatus and equipment, including housing, the township executive, with the approval of the township legislative body, may purchase it for the township on an installment conditional sale or mortgage contract running for a period not exceeding:

- (1) six (6) years; or
- (2) fifteen (15) years for a township that:
  - (A) has a total assessed value of sixty million dollars (\$60,000,000) or less, as determined by the Department of Local Government Finance; and
  - (B) is purchasing the firefighting equipment with funding from the:
    - (i) state or its instrumentalities; or
    - (ii) federal government or its instrumentalities.

The purchase shall be amortized in equal or approximately equal installments payable on January 1 and July 1 of each year."

## **FIRE TERRITORY BORROWING:**

IC 36-8-19-8.7 allows similar borrowing requirements to fire territories. The code reads, "After a sufficient appropriation for the purchase of firefighting apparatus and equipment, including housing, is made and is available, the participating units, with the approval of the fiscal body of each participating unit, may purchase the firefighting apparatus and equipment for the territory on an installment conditional sale or mortgage contract running for a period not exceeding:

- (1) six (6) years; or
- (2) fifteen (15) years for a township that:
  - (A) has a total assessed value of sixty million dollars (\$60,000,000), or less, as determined by the Department of Local Government Finance; and
  - (B) is purchasing the firefighting equipment with funding from the:
    - (i) state or its instrumentalities; or
    - (ii) federal government or its instrumentalities.

The purchase shall be amortized in equal or approximately equal installments payable on January 1 and July 1 of each year."

## **FIRE LOANS/INSTALLMENT CONTRACTS:**

IC 36-8-13-6 states: "(a) . . . the executive (trustee) and legislative body (township board), on behalf of the township, may also borrow the necessary money from a financial institution in Indiana to make the purchase on the same terms. They shall, on behalf of the township, execute and deliver to the institution the negotiable note or bond of the township for the sum borrowed. The note or bond must bear interest, with both principal and interest payable in equal or approximately equal installments on January 1 and July 1 each year over a period not exceeding six (6) years."

(STEP 1)

**NOTICE OF PUBLIC HEARING  
TO TAXPAYERS OF \_\_\_\_\_ TOWNSHIP**

The taxpayers of \_\_\_\_\_ township, \_\_\_\_\_ County are notified that on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, at \_\_\_\_\_ o'clock (am/pm), the township trustee and the township board will meet at \_\_\_\_\_ to discuss incurring indebtedness in the amount of:

\$\_\_\_\_\_ for a fire emergency loan pursuant to IC 36-6-6-14

\$\_\_\_\_\_ for a poor relief emergency loan pursuant to or IC 12-20-24

\$\_\_\_\_\_ for the purchase of fire equipment/housing pursuant to IC 36-8-13-6.

\$\_\_\_\_\_ for a public works project loan pursuant to IC 36-9-41

\$\_\_\_\_\_ for the establishment of a maximum levy

Taxpayers shall have the right to be heard. A determination whether or not to borrow and the maximum amount of loan may be made at this hearing. If a determination is made, a Notice will be published pursuant to statute. Affected taxpayers shall have the right to file an objecting petition with the County Auditor within 30 days of the publication of the Notice of Determination.

Township Board

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Township Trustee:

\_\_\_\_\_



(STEP 4)

**NOTICE OF DETERMINATION TO INCUR INDEBTEDNESS  
TO THE TAXPAYERS OF \_\_\_\_\_ TOWNSHIP**

Notice is given to taxpayers of \_\_\_\_\_ Township, \_\_\_\_\_ County, that on \_\_\_\_\_, 20\_\_ the trustee and township board of \_\_\_\_\_ Township determined to incur a loan in the amount of \$\_\_\_\_\_ for the purpose of:

(Specifically state the purpose of the loan.)

Said loan is to be repaid in 1 to 6 years (specify correct number of years). Repayment will begin with taxes 20\_\_ payable 20\_\_. Ten (10) or more taxpayers objecting to this loan may file petitions within 30 days of this notice with the \_\_\_\_\_ County Auditor stating their objections to the loan and the reasons why the loan is unnecessary or unwise. If an objecting petition is filed; the County Auditor shall certify the petition to the Department of Local Government Finance who shall hold a hearing on the matter in the county not less than five (5) or more than thirty (30) days after receipt of the certified petition from the County Auditor. Notice of hearing shall be provided by mail to the township and the first ten (10) taxpayers listed on the petition. Taxpayers present shall have the right to be heard. Determination of the Department of Local Government Finance is final.

\_\_\_\_\_ Township Trustee

(Step 3)

**RESOLUTION/SPECIAL ORDER DETERMINING TO INCUR INDEBTEDNESS**

Minutes of the Township Board of \_\_\_\_\_ Township, \_\_\_\_\_ County, held this \_\_\_\_\_ day of 20\_\_\_\_. The Township Board met with the Trustee, at \_\_\_\_\_, at \_\_\_\_\_ o'clock am/pm pursuant to the \_\_\_\_\_  
(location)

Notice of Hearing on incurring indebtedness with \_\_\_\_\_ members present. The meeting was called to order by said Trustee who read the Notice to Taxpayers which stated the purpose of the meeting. The Township Board found that a need exists to incur a loan in the amount of \$\_\_\_\_\_, for the purpose of \_\_\_\_\_[specify which purpose – Emergency Fire loan, Township Assistance loan, Firefighting Apparatus, Equipment, and housing loan, or Public Works loan], and proper notice having been given by publication, the following resolution was presented:

BE IT RESOLVED by the Township Board of \_\_\_\_\_ Township, \_\_\_\_\_ County, Indiana that a need now exists for incurring a loan in the amount of \$\_\_\_\_\_ for the purpose of \_\_\_\_\_[specify which purpose – Emergency Fire or Township Assistance, Firefighting Apparatus, Equipment, and housing, or Public Works loan].

BE IT FURTHER RESOLVED that this Board will adhere to the provisions of \_\_\_\_\_ [IC 36-8-13-6 / IC 36-6-6-14/IC 12-20-24/IC 36-9-41 (specify appropriate statute)]. Loan repayment may be levied outside the present maximum levy limitations for a period from (1 to 6 or 15) years (specify term, based on conditional requirements). Repayment will be levied beginning with taxes 20 \_\_\_\_ payable 20\_\_\_\_. Said loan is subject to the approval of the Department of Local Government Finance.

Duly adopted by the following vote of the members of said Township Board.

NAYS

AYES

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\_\_\_\_\_ President

\_\_\_\_\_ Secretary

\_\_\_\_\_ Member

Attest:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Trustee  
Township  
County

(Step 4)

CERTIFICATE OF NO OBJECTION

I, \_\_\_\_\_ Auditor of  
\_\_\_\_\_ County, Indiana, do hereby certify  
that there were no objections filed on the proposed [Specify - Emergency Loan  
IC 36-6-6-14 or IC 12-20-24/ Fire Loan IC 36-8-13-6 or Public Works project IC  
36-9-41] as adopted by the \_\_\_\_\_ Township Board, \_\_\_\_\_ County,  
on \_\_\_\_\_. Notice of Determination to  
incur indebtedness was published on \_\_\_\_\_, 20\_\_\_\_ in the  
\_\_\_\_\_ newspaper and on \_\_\_\_\_, 20\_\_\_\_  
in the \_\_\_\_\_ newspaper.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ County Auditor

PETITION TO THE LOCAL GOVERNMENT TAX CONTROL BOARD  
TO INCUR INDEBTEDNESS

Whereas, it has been determined by the Township Trustee and Township Board of \_\_\_\_\_  
Township, \_\_\_\_\_ County, Indiana, that a need exists for a: (check one)

\_\_\_\_\_ Fire Loan IC 36-8-13-6 in the amount of \$ \_\_\_\_\_

\_\_\_\_\_ Emergency Borrowing IC 36-6-6-14 or IC 12-20-24 for: (check one)

\_\_\_\_\_ Fire in the amount of \$ \_\_\_\_\_

\_\_\_\_\_ Township Assistance in the amount of \$ \_\_\_\_\_

\_\_\_\_\_ Public Works Loan IC 36-9-41

\_\_\_\_\_ Establish Maximum Levies

The loan/emergency borrowing is needed for the following purposes:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

We respectfully request to be put on the agenda of the Local Government Tax Control Board for their meeting  
scheduled on \_\_\_\_\_, 20\_\_\_\_, to seek approval to incur debt for the above-mentioned purpose.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_, President

\_\_\_\_\_, Secretary

\_\_\_\_\_, Member

Attest: \_\_\_\_\_

The Department of Local Government Finance shall mail all correspondence to the following address:

(Name/Title) \_\_\_\_\_

(Address) \_\_\_\_\_

(City/State/Zip) \_\_\_\_\_

Phone #: \_\_\_\_\_

E-mail: \_\_\_\_\_